Financial Assessment Subsystem Overview

What Can FASS Tell Me About My Properties?

- FASS is based on information that can diagnose a PHAs financial 'health'
- Areas of improvement that can increase the stability and quality of the services you provide
- Financial health enables you to make better investment and operating decisions and ensures that service will not be unnecessarily disrupted

PHAS Score by Indicator

Physical Condition	30 pts .
Financial Condition	30 pts.
Management Operations	30 pts .
Resident Satisfaction Survey	10 pts.
Overall PHAS Score =	100 pts.

FASS Sub-indicators: 6 Keys To Financial Health

SUB-INDICATOR (Points Available)	WHAT IS MEASURED?
Current Ratio (9.0)	How well prepared is your agency for covering its short-term obligations?
Months Expendable Funds Balance (9.0)	2. Do you have sufficient reserves to cover unexpected expenses?
Tenant Receivables Outstanding (4.5)	3. How well do you manage rent collections?
Occupancy Loss (4.5)	4. Are you maximizing your revenue through high occupancy?
Net Income (1.5)	5. Are you viable in the long-term?
Expense Management (1.5)	6. Do you have adequate cost controls?

1. How Well Prepared Is Your Agency To Cover Its Short-term Obligations?

Current Ratio = (Cash+Cash Equivalents) + Current Receivables
Current Liabilities

Straight Talk: Can you pay all your short-term bills with the cash in the bank and the cash you expect to be paid by customers?

Rule of Thumb: Anything below one indicates risk!

Solution: Create Cash Management Programs, Conduct Timely Bank Reconciliation, Enforce Rent Collection Policies

2. Do You Have Sufficient Reserves To Cover Unexpected Expenses?

Months Expendable | Expendable fund balance | Expendable fund balance (Total Routine Expenses/12)

Straight Talk: How much money do you have saved up for unexpected expenses or events compared with what you spend on a monthly basis?

Rule of Thumb: At least one month's EFB should be kept in reserve.

Solution: Implement Cost Control Measures, Assign Budget Responsibility/Targets, Maintain Budget & Perform Variance Analysis

3. How Well Do You Manage Rent Collection?

Tenant
Receivables =
Outstanding

Tenant Account Receivables

(Rental Income + Homebuyer Income)/365

Straight Talk: On average how long does it take to receive rent from your tenants? Are there many that are long overdue and may never pay?

Rule of Thumb: Lower is better. Scoring indicates performance against peer group.

Solution: Monitor Aging Account Receivables, Enforce Lease Policy & Procedures, Review Write-Off Procedures

4. Are You Maximizing Revenue Through High Occupancy?

Occupancy Loss = Actual Days Vacant
Total Days Available

Straight Talk: Do you have the opportunity to increase income by focusing on more quickly rerenting units?

Rule of Thumb: Lower is better. Scoring indicates performance against peer group.

Solution: Marketing & Aggressive Outreach, Examine Occupancy Trends, Examine PASS and RASS Performance

Data Source: Financial Data Schedule

5. How Viable Are You In The Long Term?

Net Income as a Percent of EFB

Net Income

Expendable Fund Balance

Measures: The impact of the results of operations (Net Income or Loss) on the PHA's viability

Straight Talk: Am I spending more than I make? If so, do I have enough saved to continue to do this?

Rule of Thumb: Try to make money or keep operating losses at a minimum.

Data Source: Income Statement and Balance Sheet

6. Do You Have Adequate Cost Controls?

Expense Category	Weight
Administrative	34 %
General Expenses	33 %
Tenant Services	10 %
Ordinary Maintenance & Operations	10 %
Protective Services	10 %
Utilities	<u>3 %</u>
Total	100 %

Expense Management

Expense Management = Weighted Sum of Expense Categories
Number of Dwelling Units

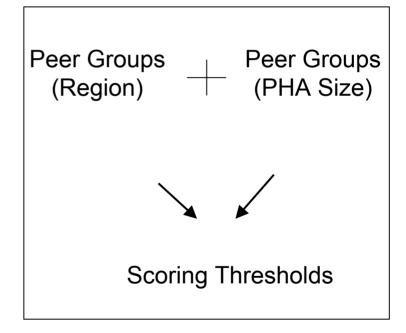
Measures: It measures: (1) PHA's operating cost per unit in order to control expenses; (2) the PHA's ability to maintain its expense ratios at a reasonable level relative to that of its peers and (3) not entity-wide **Low Rent only.**

Straight Talk: How do my operating expenses compare with similar agencies (similar in size and in the same geographic region).

Rule of Thumb: The lower the expenses, the better!

Data Sources: Income Statement.

- Entity-Wide Assessment
- Peer Groupings
 - > Size-Based
 - > Region-Based
- Score Adjustments
 - > Late Penalties
 - > Audit Flags
 - Audit Findings and Penalties



Peer Groupings

Size-Based Peer Groupings - 6 peer groups

- Very Large = 10,000+ units
- Large = 1,250 10,000 units
- High Medium = 500 1,249 units
- Low Medium = 250 499 units
- Small = 50 249 units
- Very Small = 0 49 units

Region-Based Peer Groupings - 10 peer groups

- Based on geographic location
- Only applies to Expense Management indicator¹²

Score Adjustments

Due to:

- Late Penalties
- Audit Adjustments
 - Material differences between Audited vs.
 Unaudited submission
 - Audit Flags

Late Penalties

Unaudited:

- One point deduction from PHAS score each 15-day period when a submission is past the due date.
- After 90 days beyond the due date, PHA receives a Late Presumptive Failure (LPF) score of zero.

Audited:

Late submission = 0 Score

FASS Submission Due Dates

Fiscal Year End	9/30/03	12/31/03	3/31/04	6/30/04
Unaudited Extension Request Deadline	11/15/03	2/14/04	5/16/04	8/16/04
Unaudited Due Date	11/30/03	2/29/04	5/31/04	8/31/04
Unaudited Penalties Start, minus 1 point every 15 days for 90 days	12/16/03	3/16/04	6/16/04	9/16/04
Final or Last Submission of Unaudited Data	2/29/04	5/31/04	8/31/04	11/30/04
Automatic Processing of Unaudited LPF	3/1/04	6/1/04	9/1/04	12/1/04
Audited Due Dates	6/30/04	9/30/04	12/31/04	3/31/05
Automatic Processing of Audited LPF	7/1/04	10/1/04	1/1/05	4/1/05

^{*} The above due dates do not include extensions

Audit Flags

- The FASS system uses the information from the Data Collection Form, and where applicable, deducts points according to a pre-established system of Audit Flags and Tier Classifications.
- ☐ Analysts will restore flag deductions when the audit flag was due to incorrect reporting by the PHA.

Score Adjustments

- Auditor's Opinion: If the auditor's opinion is anything other than unqualified, points will be deducted from the PHA's audited financial score
- Failure To Submit: If either the audited or unaudited financials are not submitted on time, then point deductions will be assessed. This includes the possibility of a late presumptive score of zero for the financial indicator

Note: Failure to submit unaudited financials within the required timeframe will result in a late presumptive score of zero for both the unaudited and audited financial data submissions - resulting in substandard financial and troubled designation.

Helpful Hints for PHAs

- Review Accounts For Proper Classifications.
- Institute Budgeting Practices: Departmental Responsibility, Variance Analysis, etc.
- Age Receivables
- Enforce Rent Collection Policies
- Address Market Demand Problems Using PASS & RASS Data If Necessary
- Plan Ahead Ensure That You Have An Accountant and Auditor For Yearend

Dates To Remember

FYE + 2 MONTHS = UNAUDITED DUE DATE

Day Late Letter

Due Date + 3 Months Late Presumptive Failure

FYE + 9 Months
Late Presumptive Failure (Audited FASS)

NOTE: For FASS & MASS the first 15 days after the Due Date there will be "0" Late Points assessed. Starting on the 16th Day and EACH 15 day period thereafter, one (1) Late Point will be assessed up to a maximum of 5 Late Points, per 24 CFR 902.60 (e) (1).

Critical Dates for a 12/31 FYE PHA

October 31st

It is advised that PHAs secure an IPA prior to year end

December 31st

Close books for the year

February 28th

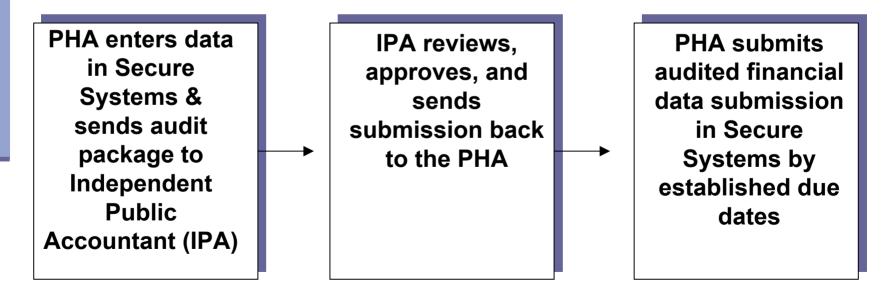
Unaudited financials submitted to HUD and to IPA for review

September 30th

Audited financials submitted to HUD

Working With Your IPA

□ Financial Data Submission is the responsibility of the PHA



PHAS is the Responsibility of the PHA

PHA



PHA Asks Employee or IPA to **Submit**

Delegate











It is the responsibility of the PHA to ensure that its information is submitted in a timely and accurate manner regardless to whom it may be delegated

Summary

- The Financial Assessment provides valuable information about the financial health of your PHA
- Improving your score helps ensure quality service for your customers

FASS Contacts

Technical Assistance Center (TAC) 1 (888) 245-4860 (7:00 am to 8:00 p.m., Eastern Standard Time)

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